



STATE OF VERMONT
JOINT FISCAL OFFICE

MEMORANDUM

To: Senator Jane Kitchel, Chair
Representative Emilie Kornheiser, Vice Chair
Senator Ann Cummings
Representative Diane Lanpher
Members of the Joint Fiscal Committee

From: Catherine Benham

Date: July 31, 2023

Subject: July 2023 – Fiscal Officer's Report

Here is an update of recent developments, some of which may also be on the agenda of the Joint Fiscal Committee.

1. FY 2023 Revenue Collections:

FY 2023	Total \$ (millions)	\$ above or below forecast (millions)	% above or below forecast
General Fund (GF)	\$2,224.6	\$43.3	2.0%
Transportation Fund (TF)	\$295.1	-\$3.9	-1.3%
Education Fund (EF)	\$728.8	-\$0.1	0.0%

Some of the more specific revenue performance highlights are shown below, organized by fund.

- General Fund (GF)

General Fund FY 2023 Revenue Component Performance			
	<u>Above</u> <u>Forecast</u>	<u>Below</u> <u>Forecast</u>	<u>Net Forecast</u> <u>Performance</u>
Personal Income	-	(52.6)	
Corporate Income	60.0	-	
Meals and Rooms	3.8	-	
Health Care			
Revenues	-	(7.5)	
Interest Income	32.4	-	
Net All Revenue	7.2	-	
Totals	103.4	(60.1)	43.3

- Transportation Fund (TF)

Transportation Fund FY 2023 Revenue Component Performance			
	<u>Above</u> <u>Forecast</u>	<u>Below</u> <u>Forecast</u>	<u>Net Forecast</u> <u>Performance</u>
Purchase and Use	-	(2.5)	
DMV Fees	-	(0.3)	
Gas & Diesel Tax	-	(1.5)	
Net All Revenue	0.4	-	
Totals	0.4	(4.3)	(3.9)

- Education Fund (EF)

Education Fund FY 2023 Revenue Component Performance			
	<u>Above</u> <u>Forecast</u>	<u>Below</u> <u>Forecast</u>	<u>Net Forecast</u> <u>Performance</u>
Sales & Use	-	(5.3)	
Meals & Rooms	1.4		
Lottery	1.0	-	
Purchase and Use	-	(1.2)	
Investment Income	4.0	-	
Totals	6.4	(6.5)	(0.1)

2. Cash Fund for Capital and Essential Investments and FY 2024 Contingent Appropriations

FY 2023 closed out in a manner that allowed for the full funding of the contingent appropriations in 2023 Act 78 Sec. B.1105 (d) totaling \$21.5 million. These cash fund appropriations include the following:

- \$1 million to the Department of Mental Health for a grant to Pathways Vermont for the purchase and renovation of a building for the Soteria House Program;
- \$1 million to the Department of Housing and Community -Development to be granted to the Vermont Housing Finance Agency (VHFA) for its First-Generation Homebuyer Program;
- \$10 million to the Department of Housing and Community Development to be granted to VHFA to capitalize the revolving loan fund for the development of the Missing Middle Rental Housing Program;
- \$1 million to the Agency of Transportation for Rail Trail grants;
- \$5 million to the Department of Economic Development for the Rural Industry Development Grant Program; and
- \$3.5 million to the Agency of Transportation for the St. Albans garage replacement project.

In addition, per 2023 Act 81 Sec. 7, \$25.4 million was appropriated from the Cash Fund to the Agency of Human Services for the transition from the pandemic-era General Assistance Emergency Housing program.

3. Education Fund Outlook

For FY 2024, Act 52 of 2023 set the property yield at \$15,443, the income yield at \$17,537, and the uniform non-homestead property tax rate at \$1.391; these yields and rates are estimated to correspond with an average bill change increase across all three classes by approximately 4.06%. The increase in average tax bills can be attributed to multiple factors including 8.0% year-over-year growth in education spending, performance of non-property tax revenues, and new appropriations out of the Education Fund. Despite the estimated average tax bill increase from FY 2023 to FY 2024, the average tax rate is estimated to decrease; this inverse relationship can primarily be attributed to forecasted grand list growth of 9.7%.

Act 52 of 2023 and Act 78 of 2023 both adjusted the additional reserves in the Education Fund. In addition to the setting of the yields and the non-homestead rate, Act 52 also reserved \$13 million in the Education Fund to offset education property tax rates increases in FY 2025. In the December 1st letter, the Commissioner of Taxes shall assume this \$13 million is used to uniformly lower tax rates in FY 2025. Act 78 of 2023 unreserved the \$32 million reserved in the PCB additional reserve and appropriated funds to the Agency of Education for PCB remediation and removal grants. Further, all remaining unexpended, unobligated funds after reappropriating to the 2023 education payment were also appropriated to the Agency of Education for PCB remediation and

removal grants. Act 78 of 2023 also reserved \$9.1 million in the Education Fund to fund future supplemental cost of living payments to qualifying retired members and beneficiaries of the Vermont State Teachers' Retirement System.

With the forecast's updates to the Education Fund's non-property sources, there is an estimated \$24.7 million unreserved and unallocated for FY 2024.

4. FY 2023 Legislative Closeout:

Legislative branch departments, including the Joint Fiscal Office, ended FY 2023 in healthy financial positions. Some surplus funding will be utilized to cover costs associated with the veto session in late June, as well as potential costs associated with the impeachment inquiry.

Funding will also be held for costs associated with the document management system upgrade that is being developed by a working group of legislative staff. Financial staff, department heads, and leadership will plan for other possible uses of surplus funding in the coming months.

5. July 2023 Flooding Event

Starting on July 7 and continuing through the month, devastating flooding and heavy rainfall led to property and infrastructure damage across Vermont. The storm was the most devastating event since Tropical Storm Irene in Vermont in 2011.

On July 14, President Biden approved Governor Scott's request for a Major Disaster Declaration. The declaration provides federal funding through the Federal Emergency Management Agency (FEMA) Individual Assistance and Public Assistance programs. Residents of eight counties in Vermont are eligible to apply for funds through the Individual Assistance program. All counties are eligible for funds for emergency work and replacement of disaster-damaged facilities through the Public Assistance program.

Governor Scott also requested that the U.S. Department of Agriculture (USDA) issue a federal disaster declaration, which would provide financial assistance, including low-interest loans, to Vermont farmers. Nearly 10,000 acres of crops were destroyed by the storm. The USDA approved Governor Scott's request for a Secretarial Disaster Designation for the May frost event, which destroyed many produce farmers' crops this spring. Cannabis farmers and cannabis-related businesses are not eligible for federal funds.

The State has requested aid through the U.S. Department of Transportation's Federal Highway Administration Emergency Relief program (FHWA ER). Vermont's congressional delegation sent a letter to U.S. Department of Transportation Secretary Pete Buttigieg urging him to approve the request. The letter also asked that the Department of Transportation consider extending the eligibility period for 100 percent reimbursement of project costs. Through the FHWA ER program, project costs are only eligible for a 270-day period.

The Treasurer's Office announced that it will accelerate \$11 million in State payments to 40 Vermont towns. The payments had been scheduled for disbursement later this fiscal year but will be made as soon as possible to ensure that municipalities have funds on hand while waiting for FEMA reimbursements.

At the July 31 meeting, the Emergency Board agenda includes the proposed funding of the Agency of Commerce and Community Development Business Emergency Gap Assistance Program (BEGAP) which will be administered through the Department of Economic Development. The program will provide \$20 million in direct assistance to businesses and non-profit organizations that experienced flood-related damage.

The Joint Fiscal Office will continue to monitor and assess the fiscal impacts of these devastating storms on Vermont.

6. Medicaid Renewals:

At the start of the COVID-19 pandemic, Congress enacted the Families First Coronavirus Response Act (FFCRA), which included a requirement that Medicaid programs keep people continuously enrolled through the end of the COVID-19 public health emergency, in exchange for enhanced federal funding.

As part of the Consolidated Appropriations Act, 2023, signed into law on December 29, 2022, the continuous enrollment provision ended March 31, 2023. As a result, the Department of Vermont Health Access (DVHA) began redeterminations and renewals in April.

DVHA released a [renewal dashboard](#) showing its progress for the first month. According to the dashboard, in April, 13,157 (8.6%) of Medicaid beneficiaries completed the renewal process of which:

- 6,367 (48%) members were renewed
- 938 (7%) members eligibilities were still pending; and
- 5,852 members had their benefits were discontinued. Of those, 1,924 (15%) were deemed no longer eligible, while 3,928 (30%) were discontinued due to administrative reasons (such as they did not respond to DVHA, etc.). Some of those individuals may be deemed eligible later.

7. Joint Fiscal Office Studies

The staff of the Joint Fiscal Office continues to work on several summer projects, assist interim committees with their work, and monitor the status of reports due to the General Assembly from the Executive branch.

Act 33 of 2023 created the Legislative Working Group on Renewable Energy Standard Reform and tasked it with studying the economic impact of moving to a 100 percent renewable standard for all utilities by 2030. Act 33 also mandates that the Working Group draft legislation for the General Assembly to consider during the 2024 session. \$75,000 was appropriated to the Joint Fiscal Office in Act 78 for per diem compensation

and reimbursement of expenses for members of the Working Group, as well as for consulting services related to the Group's work.

The Joint Fiscal Office has contracted the services of Jennifer Knauer, LLC, and the Brattle Group to assist with the Group's work. Jennifer Knauer, LLC will provide a facilitator for the Group. The Brattle Group will provide economic modeling to estimate the macroeconomic impacts to Vermont and New England of different electricity procurement scenarios.

8. Joint Fiscal Office Updates:

Stephanie Barrett accepted a position with the Department of Vermont Health Access (DVHA) as the Department's Chief Financial Officer. Stephanie began working at the Joint Fiscal Office in the summer of 1998 and played an essential role in the development of the appropriations act and budget adjustment act each session. She started her work at DVHA in May and we are recruiting to fill this position.

Dan Dickerson has accepted a position with the Agency of Commerce and Community Development (ACCD) as the Agency's Director of Finance and Administration. Dan worked at the Joint Fiscal Office for nearly ten years, most recently as the Legislative Finance Administrator. The Joint Fiscal Office has a memorandum of understanding with ACCD for Dan's services. He will continue to perform some elements of his role on a part-time basis until his replacement is hired.

Andrea Smith, who joined the Joint Fiscal Office as a session-only employee for the 2023 session and worked with the Senate Committee on Appropriations, has accepted a full-time position elsewhere. We will recruit for the Senate Appropriations Committee Assistant later in the fall.

Please join me in wishing Stephanie, Dan, and Andrea the best; we look forward to working with them in their new capacities.

The Joint Fiscal Office is recruiting to fill the two open positions: the Legislative Finance Manager and Senate Appropriations Senior Fiscal Staff positions.

Information on the Legislative Finance Manager position is available here:

[JFO Legislative Finance Manager Job Posting](#)

Information on the Senate Appropriations Senior Fiscal Staff position is available here:

[JFO Senate Appropriations Senior Fiscal Staff Job Posting](#)